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THE HISTORY OF PAPER MONEY IN CHINA.

It is a common remark, that the ingenious Chinese had anticipated the Europeans, by many centuries, in three of the most important discoveries — the mariner's compass, the art of printing, and gunpowder. But, we believe, few persons are aware, that *paper money*, in the modern financial sense of the term, has been used by them at various periods, from so early a date as the *tenth* century.

The following interesting article was drawn up by that eminent Chinese scholar, *Klaproth*, who died not long ago. It is taken from original Chinese works, of established authority; and, to those persons, who wish to know the real history of this curious portion of our race, as well as to the political economist, it certainly presents a collection of facts of the greatest interest and importance.

I have, in the translation, omitted the notes containing the particular references to the Chinese works cited by Mr. Klaproth, and which are not all familiarly known to every student of Chinese; but I here subjoin the titles and volumes of the works, for the use of those who may wish to consult them: *Szu-ki*, vol. xxx; *Thoung-kian-kang-mou*, vol. iv, and the Mantchoo edition of the same; *Wen-hian-thoung-kao*, vols. viii. and ix; *Khiun-chu-pi-khao*, vol. iii; *Thoung-kian-kang-mou-siu-pan*, vol. xiii, and the Mantchoo edition, same volume; vol. *xxi*, Mantchoo translation; vol. *xv*, Mantchoo translation; *Thoung-kian-ming-szu-kang-mou*, vols. ii. and vii. P.

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ON THE ORIGIN OF PAPER MONEY.

BY M. KLAPROTH.

THE celebrated traveller Marco Polo, of Venice, was the first person who made known in Europe the existence of the *paper money*, which was used at that period by the Mongols, who were the masters of China. These same Mongols afterwards introduced it into *Persia*; in which country their paper bills (assignats) were called *djaou* or *djaw*, a word evidently derived from the Chinese *tchhaò*, which means the same thing.*

* This Chinese word (or character) is compounded of *kin*, metal, and *chao*, little; and it means, *the lack of metal*, (that is, *coined metal*.) When it is pronounced *chao*, it means to *take by force*, to *steal*, to *possess one's self of the property of another*.— We have followed the French in the orthography of Chinese words.

The circumstance, that the Mongols, both in China and Persia, made use of paper money, has led some authors to think that they were the inventors of it; and the celebrated Schloetzer, of Gottingen, published a dissertation under this title: *The Mongols inventors of paper money in the XIIIth century*.* But this learned man might have avoided giving out so hazardous an assertion, if he had read the *History of Tchinghiz-khan* (Jenghiz khan) and of the *Mongol dynasty in China*, composed, on Chinese authorities, by Father Gaubil, and published in 1739, about sixty years before the Memoir of Mr. Schloetzer. In that history (p. 114) is considered, the suppression of the ancient paper money, which was in use under the *Soung* dynasty, which reigned in China before the Mongols; and there is also mention made of a new species of paper bills (assignats) which were substituted for the ancient ones, in 1264, by the minister *Kia-szu-tao*.†

It seemed to me, that it would be interesting to investigate, in Chinese authors, the date of the invention of paper money; and my undertaking having been crowned with success, I have the honor to offer the result of my researches to the Asiatic Society.

The most ancient financial operation devised by the Chinese ministry, in order to meet the public expenditures, which had become too great for the revenues of the state, has its date in the year 119 before the Christian era, and in the reign of the emperor *Ou-ti*, of the great *Han* dynasty. At that period they introduced the *phi-pi* [pronounced phee-pee] or *values in skins*, which were pieces of the skins of certain white deer, that were fed in the interior park of the palace. They were a foot square, Chinese measure, and were ornamented with extremely delicate paintings and embroidery. Every prince or grandee, and even the members of the imperial family, who wished to make their court to the emperor, or who were invited to ceremonies or repasts in the palace, were obliged to cover with one of these skins the screen (*tablette*) which they held before their faces in the presence of the "son of heaven." The minister of the emperor's household had fixed the price of these *phi-pi* at 40,000 de-

* Schloetzer kritisch-historische Nebenstunden. Goettingen, 1797, in Svo. p. 159, &c.

† This name is sometimes written *Kiassetao*. [Translator.]

niers, which is nearly 300 francs. They were current at that rate in the palace and among the *grandeés*; but it seems they never passed as money among the people.

Ma-taouan-lin relates, that after the years *ta-nie* (A. D. 605–617) until the end of the dynasty of the *Soui*, the general derangement of affairs in China having reached its height, they made use of all sorts of things in the guise of money; as, little circular pieces of iron, cut pieces of cloth, and even pasteboard.

At the beginning of the reign of the emperor *Hian-tsoung*, of the *Thang* dynasty, or about A. D. 807, coined copper having become extremely scarce, they renewed their prohibition against making use of vessels and utensils of that metal.* The Emperor also compelled the traders, who arrived in the capital, and the rich families, generally, to deposit their specie in the public chest; and, in order to facilitate trade, they received securities (*bons*) which had a currency every where, and to which they gave the name of *fey-thsian*, or “flying money.” However, scarcely three years had elapsed when they were obliged, in the capital, to suppress the use of this paper; which then was no longer current, except in the provinces.

Thai-tsu, the founder of the *Soung* dynasty, and who ascended the throne A. D. 960, permitted the traders to deposit their silver, and even merchandise, in the different imperial treasuries; and the securities (*bons*) which they received were called *pian-thsian*, or “convenient money.” They received them eagerly every where. In the year 997, paper of this kind had been issued for 1,700,000 ounces of silver; and in 1021, there had been an addition to it equivalent to 1,130,000 ounces.

It was in the *Chou* [Shoo] country, which is now the province of *Sze-tchhouan*, that they introduced for the first time a real paper money currency, that is to say, paper bills (assignats) substituted for silver, and not guaranteed by any pledge whatever. A certain *tchang-young* introduced it as a substitute for the *iron-money*, which was too clumsy and

* The cause of the scarcity of copper, which was so often experienced in China, was chiefly the manufacturing of a great amount of bronze images, representing *Foe*, [Fohi.] and the saints of his religion. Accordingly, we find copper and money reappearing after every persecution suffered by that religion in China.

inconvenient.* These paper bills were called *tchi-tsi*, or *coupons*. In the reign of *Tchin-tsoung*, of the Soung dynasty, (from 997 to 1022,) this example was followed, and they made bills under the name of *kiao-tsu*, or "exchanges." These were payable every three years; so that in the space of sixty-five years, there would be twenty-two periods of payment. Every *kiao-tsu* was equal to one *string* of a thousand deniers, and represented one ounce of pure silver. Sixteen of the richest houses directed this financial operation; but, in the end, the undertakers of it not being in a condition to fulfil their engagements, they were obliged to become bankrupt, which gave occasion to much litigation. The Emperor abolished the bills of this company, and took away from the individuals the power of issuing paper money, reserving to himself the establishment of a bank for bills, at *Y-tcheou*.

About the year 1032, there were 1,256,340 ounces in the bills called *kiao-tsu*, or "exchanges." In 1068, it was found that there were counterfeits of them; and they imposed the same punishment on the counterfeiters as for counterfeiting the government seals. At a later period they established, at different intervals, banks for the *kiao-tsu* bills, in several provinces of the empire. The bills of one province were not current in the others; and they often altered the terms of payment, and their mode of circulation.

Under the emperor *Kao-tsoung*, in 1331, they were desirous of making a military establishment at *Ou-tcheou*; but as the necessary funds arrived with great difficulty, the mandarins, who had the direction of that undertaking, proposed to the *houpou*, or minister of the treasury, to issue some *kouan-tsu*, or securities, with which they might pay the persons who furnished provisions for the troops. Those securities were redeemable at a special office for that purpose; but it appears they gave rise to abuses and occasional murmurings among the people. Subsequently, similar securities were put in circulation in other provinces of China.

In 1160 (still during the reign of *Kao-tsoung*) the *houpou*

* The first iron money was made in China by the rebel *Koung-sun-chou*, who died A. D. 36. The emperors, however, did not follow his example before 524. It was at that period that *Ou-ti*, of the *Liang* dynasty, coined similar pieces, and since that time they have often been used.

created a new paper currency, called *hoei-tsu*, or *conventionals*. In their origin, these new bills were current only in the province of *Tche-kiang* and its vicinity; but they were soon disseminated through the whole empire. The paper, which they used to make them of, was originally manufactured only in the towns of *Hoei-tcheou* and *Tchhi-tcheou* of *Kiang-nan*. At a later period they also made it at *Tching-tou-fou*, in *Sze-tchouan*, and at *Lin-ngan-fou*, in the province of *Tche-kiang*.

The first *hoei-tsu* (conventionals) were equivalent to a *string* of one thousand deniers; but under the reign of *Hiao-tsoung*, in 1163, they made them of 500, 300, and 200 deniers. In five years, that is to say, up to the seventh moon of the year 1166, they had issued this paper to the amount of 28,000,000 of ounces; and on the 13th of the eleventh month of the same year, that amount was found to be increased by 15,600,000 ounces. During the remainder of the reign of the *Soung* dynasty, the quantity of this paper went on constantly increasing.

Besides this, there were also the *kiao-tsu*, and some other paper peculiar to the provinces; so that the empire was flooded with paper bills, which depreciated from day to day, in spite of the different changes and modifications which the government thought fit to make in them, in order to enhance the currency of them.

Finally, in the reign of *Ly-tsoung*, of the same dynasty, and in 1264, the minister *Kia-szu-tao*, seeing the currency of the *hoei-tsu* so low, and the price of provisions so high, thought it proper to substitute in part for this paper, a new description of bills, which he called *yn-kouan*, or *silver obligations*. The *hoei-tsu* of *seventeen terms*, as they were called, were entirely abolished; and they took up three of those of *eighteen terms* with one of the new bills, which bore the character *kia*. But, though they received even the torn bills in payment of imposts, the minister could not succeed in effecting a rise in the currency in the paper issued by the treasury, nor a reduction in the price of merchandise.

While the latter emperors of the *Soung* dynasty were withdrawn into the south of China, the north part of the country found itself under the domination of the *Niu-tchy*, a people of the Tungusian race, that had founded a new em-

pire under the name of *Kin*, or *Kingdom of Gold*. Their princes are known in the Arabian and Persian historians, by the name of *Altoun-khan*. The continued wars which laid waste all China, had considerably impoverished all the provinces of that fine country; so that in the year 1155, copper having become extremely scarce in the kingdom of *Kin*, they were obliged to establish among them banks for paper bills, upon the plan of the *kiao-tsu* of the Soung dynasty. The bills of two, four, eight, and ten *strings* of a thousand denier, were called *large bills*; and the *small bills* were of 100, 300, 700, and 900 pieces of copper. Their rate was fixed for seven years; and after that term they exchanged the old bills for new ones. In all the provinces there were banks, and the government retained fifteen pieces of copper for each *string* of one thousand, in order to cover the expense of making and registering the bills.

In the latter half of the XIIIth century, the Mongols made themselves masters of China, where they founded the dynasty called *Youan*, which reigned from 1279 to 1367. Even before the entire subjugation of China, *Koublai-khan* or *Chitsou*, the first emperor of that dynasty, had introduced paper bills (assignats) among the Mongols, between 1260 and 1263. In 1284, he directed the mandarin *Lou-chi-joung* to present to him a plan for the emission of new paper money; but that emission did not take place till 1287; and from that time the Mongols only increased the quantity of their paper bills called *pao-tchhao*, or *paper money of value*.

Bills of *one string*, made in the years *tchi-youa*, (1264–1294,) were substituted for those of *five strings*, or of 5000 deniers, which they had created during the years *tchoung-thoung*, (1260–1263,) and which were made of the bark of the *tchu* tree, (*morus papyrifera*,) and one foot square, Chinese measure. Those of *one string* of the year *tchi-ti*, (1308–1311,) succeeded those of *tchi-yuan* of five strings. They were valued at one ounce of pure silver, and the tenth part of an ounce of gold. In this manner the government had reimbursed, by four per cent. of value, the capital of the first emission, and by twenty per cent. that of the second. Towards the end of the *Youan* dynasty, the paper money had lost much of its credit; and in 1351 they found themselves obliged again to make changes in their system of pa-

per currency; but all their expedients and attempts to produce a rise in the funds were fruitless; and the Mongols were compelled to abandon China, which they had totally ruined by their *tchhao*, or "paper money of value."

This state of things obliged the emperors of the *Ming* dynasty, who succeeded the Mongols, not only not to abolish the *tchhao*s, but to create a new emission of them. In 1375, they issued six different kinds of paper, viz:—Bills of *one string*, of a thousand deniers, of 500, 300, 200, and 100 copper pieces; those of a thousand deniers were equivalent to one ounce of silver. They prohibited the people's making use of gold, silver, or valuable articles to trade with. The value of these bills fell at once, and they would only give thirteen strings of copper pieces for seventeen in paper.

It appears that the first Ming emperors increased considerably the quantity of these bills; for in 1448 they had so little credit, that they would only give three deniers for one *tchhao* of a string of one thousand. The government thought to remedy this disgrace of its paper, by prohibiting the use of copper pieces, and by forcing the people to use only paper bills. Seven years afterwards there appeared an ordinance, which provided that they would collect in the paper currency the imposts of the markets in the two capitals of the empire. However, these measures did not produce the desired effect, and the *tchhao*s, having remained in discredit, terminated by disappearing from circulation. At least, history makes no further mention of them after the year 1445.

The Manchous, [Mantchoos,] who succeeded the Ming dynasty, and who are at present the absolute masters of China, have never attempted to issue any paper money whatever.

Note. The paper bills (assignats) of the *Soung-Kin*, and *Mongol* dynasties, were all made of the bark of the *tchu* tree. Those of the first were only sheets printed and authenticated, with the government stamps; but those of the *Mongols* exhibited other ornaments. The paper which was used by the *Mings* to make their bills, was made from all sorts of plants. We find in the work of Father Du Halde, (vol. ii. p. 163,) a figure of one of the paper bills of the time of the *Mings*.

J. P.